

ISLAMIC RELIGIOSITY AND DEVELOPMENT OF ZAKAT INSTITUTION

Saprial Manurung

University of Muhammadiyah Sumatera Utara
e-mail: sm_zuhro@yahoo.com

ABSTRACT

Most researchers have concluded that religiosity is a strong belief of the individual in carrying out the religious orders properly. It can be also the basis for applying the values of religion as a whole to achieve happiness in this world and hereafter. Meanwhile, religiosity also makes a positive contribution in the advancement and development of social life. In the view of Islam, religiosity provides individuals an important role in implementing the commitment to run all the basic principles of Islam. One of the commitments in the Islamic religiosity is an obligation to redistribute wealth in the form of Zakah, to purify the wealth and also create fairness in the distribution of wealth and income. We have understood that the distribution of Zakah has two important dimensions, the first relating to compliance in carrying out the commands of Allah (Hablumminallah) and the second creates a sense of fairness and concern among fellow Muslims (Hablumminannas). Specifically in the social dimension (Hablumminannas), the distribution of Zakah can be an important factor in the process of social and economic development of society. Therefore, in this paper we seeks to describe how religiosity can contribute to development, focusing especially on the role of Islamic religiosity in the development of Zakah institutions to improve the welfare of Muslims.

Keywords: *Religiosity, Religious, Islamic Religiosity, zakah, social, economic, and development*

1. Introduction

Religion plays an important role in all people's life. It is across the world it retains a significant level of common and shared elements and also explained in evolutionary terms (Whitehouse: 2008) and appears to reduce a variety of problem behaviors (Hercik *et al* : 2005). Therefore, religion is not one thing but is instead a multidimensional variable that is among the most complex properties of human mind (Paloutzian and Park: 2005, p. 8). Yet in the modern era, secularism claims that religion ought to be anything but a private affair (Holyoake: 1896, p. v-vi); for this reason, the secularists have often ignored and overlooked the value of religion as one form of productive capitals (Sanz: 2009). Many scholars, moreover, seem to agree that religion's role in modern society has dissolved to the point of being irrelevant or simply incompatible with economic development (Sanz: 2009). It is this assumption that has made religion and belief in God is in the US less important than in developing countries (Lippman and McIntosh: 2010). Edward even further asserts that religion is an animistic religion¹. This is certainly contrary to the general public view which holds that religion is an essential instrument in achieving happiness in life. This has led Molendjik (2010, p. 1) not to agree with a common belief that the proper place for religion in the modern world is only the private sphere. Because of since the Enlightenment offers also new opportunities for religion as an important factor in balancing the various activities of human life, thus providing a positive impact in creating a sense of justice and welfare. However, this statement is one that wrong because of contradicts to the fact that are generally in the enlightenment period in which human reason could be used to combat ignorance, superstition, and tyranny and to build a better world, with targets were religion (the Catholic Church in France) and the domination of society by a hereditary aristocracy.

In the contemporary era, many economists have given a serious concern to religion in the process of economic development. This is due to individualism, materialism and consumerism which all together have destroyed the fabric of the world economic structure. Income inequality among the community as well as between developing and developed countries is a central factor of the world economic crisis that has ignored religious values. Restoring religion as the basis for the development process would have a positive impact in achieving prosperity for all mankind. Viewing religion as spiritual capital, with the attendant role played by religious network externalities in fostering

¹ See explanation of Edward B. Taylor. (1889). *Primitive Culture: Researches into the development of mythology, philosophy, religion, language, art and custom*. Volume 1. New York: Henut Holt and Company. p. 417-502

economic development, is vital for development policy (Iyer: 2007, p. 2), so that religiosity as the weight given to religious beliefs in everyday decision making. The stock of religious belief can probably be considered as constant, but the relevance of these beliefs for decision making may change, depending on the level of development (Paldam and Gundlach: 2010, p. 4). Islam clearly states that development cannot be separated from the religiosity of each person. The institution of Zakah thus for instance can be used as an important factor in accelerating the development of society. According to Peru (2009, p. 119), zakat has a religious meaning (*ma'na fiqhi*), that is 'religious tithes', but if one reads from the Quran, one would find that the word zakat means betterment or growth which is a straightforward linguistic meaning (*ma'na lughawi*) and contrasted with the word *bas* which means to bury something, contextually, in the dust.

2. The study of religiosity, Zakah and development

Religiosity is a religious belief of an individual as a basis for him to implement the good of religious values in all aspects of his life. The emergence of religiosity commitment positively will certainly contribute to the advancement and development of life of all humanity. Bridges and Moore (2002) state that there are elements which form the basis of religiosity, namely attending religious services, being involved in activities sponsored by faith-based organizations, praying, and ascribing value to one's religious beliefs.

Some studies show that religiosity has a positive effect on development. Many scholars have proved the close relationship between religion and economic growth, prosperity, income and development, (Sushmit, 2007; McCleary and Barro, 2003 and 2006; Grier, 1997; Yazdani and Mamoon, 2012; Franck, 2007; Tu, Bulte and Tan, 2011; Gundlach and Opfinger, 2011; Sanz, 2009; Iyer, 2007; Iannaccone, 1998; Eum, 2011; Afe, 1999). Others also find the relationship between religion and fertility (Blum, 2010; Zhang, 2008; Baudin, 2008; Brañas-Garza and Neuman, 2006). Another studies even go further proving that Muslim religiosity and support for shari'a law have something to do with higher fertility. It suggests that there is potentiality for growth in the Islamist religious population of Muslim societies (Kaufmann: 2009). Religiosity increases with industrialization (Akdede and Hotunluoğlu: 2008). Religious giving consistently accounts for about half of all charitable giving in the United States (approximately 64 billion dollars in 1995) (Iannaccone: 1998), and dimensions of individual religiosity on people's intention to donate to the poorest countries (Reitsma and Grotenhuis: 2006).

WHOQOL-SRPB² should be seen as an important contribution to the study of the relationship between quality life and spirituality, religiosity and personal beliefs (Fleck and Skevington: 2007).

In a study of Zakah and development conducted by Kahf (1995, p. 228), he finds that there is much room for the improvement of the economic and social consequences of *zakah* if collection and distribution models are re-examined to make it more efficiency and more intimate linkage with the aim of zakah itself, which is cleansing and growth. Ahmed (2004, p. 133) points out that zakah and Waqaf institutions can contribute to poverty reduction through redistribution schemes, capacity building and wealth creation, and proving income support. However, the policy of income support, a prevalent practice of disbursing *zakah*, is recommended for the unproductive section of the population like those who are not able to earn a living due to physical/mental inabilities. Even though the zakat institution has played a role in poverty alleviation and welfare promotion in Muslim societies. Iqbal and Khan (2004, p. 99) say that a new scheme of apportionment of public expenditure may be adopted. This scheme is based on the principle of earmarking derived from the example of *zakah*. Under this scheme, certain heads of expenditure should be established for which separate resources should be mobilized. Sadeq (2002, p. 57-58) argues that institution of Zakah has positive economic implications. The institution of zakah reinforces the equity effect of the Islamic mechanism of functional income distribution. Gilani (2006, p. 81) is of the opinion that zakah is an integral part of the comprehensive Islamic system of beliefs and that there is an inextricable link between the Islamic identity of the state and the willingness of the population to give their Zakah to an official Zakah system. The potential of Zakah in poverty alleviation can therefore be fully utilized if it is part of an overall process of Islamization.

3. Developing Zakah institutions through Islamic religiosity

Throughout the history of human social-economic development process, there is strong evidence that proves the role of the Islamic institutions in giving a positive contribution to increase human well being. Historically, the institution has existed since Prophet (PBUH) period³, although the organization is not formally structured. Nevertheless, this institution would give a positive

² WHOQOL-SRPB is an instrument developed to evaluate how spirituality, religiosity and personal beliefs (SRPB) are related to quality of life in health and health care.

³ Institution of prophet period between is usroh institution, which has authority in organize and decision making of Islamic ummah problems, which number it among others prophet, Abu Bakar, Umar, Ustman, Ali and a number Prophet companions.

contribution in organizing the Arab society. When the leadership was shifted from the Prophet (PBUH) to the calif Abu Bakar Assiddiq, the Islamic institutions had already been formally established in form of bureaus or known as *Diwan*⁴. The first *Diwan* that was been established in the Islamic community was known as the *Jund* or *Ataa' Diwan*. The main purpose of the *Diwan* was to register and to pay the military troops, disbursement of pension, and also to record excess of moneys that received by the *Bait al-Mal* (the Treasury) from levies such as *Zakah*⁵, *Sadaqah*⁶, *Khumus*⁷, *Jizyah*⁸, *Ushr*, etc. The *Diwan* also had been implemented within the various forms of Islamic institutions⁹.

In Islam, zakah is imposed as a compulsory levy of all Muslims, it can be suggested on the awakening of the socio-economic perceptions goals and values inherited within the societies', such as health, education, religion, small business, etc. Nowadays, the existences of the Zakah institutions has given significant contribution towards improving the welfare condition of the Islamic Ummah, and ensuring equitable distribution of wealth and has established a safety net for the need of the society. This institution also played a significant role in the realization of the Islamic goals in the social and economic development, and the implementation goes hand in hand with other development sector. Therefore, the main objective of Zakah is distribution of wealth from the haves and the have-nots to achieve socio-economic justice, insurance to improvement of the people expenditure, to increase economic

⁴ (1) In Muhammadan law, the word signifies an account or record book, and also the bags in which the Qazi's records are kept. (2) It is also a court of justice, a royal court. (3) Also a minister of state; the chief officer in a Muhammadan state; a finance minister. (4) In British courts a law-suit is called a diwani, when it refers to a civil suit, in contradistinction to *ajdari*, or "criminal suit." (5) A collection of odes is called a *diwn*, e.g. *Diwan-I-Hafiz*, "the Poems of Hafiz."

⁵ About Zakah collection, Khalif Abu Bakar Al Siddiq have making declaration, "if anyone refuses to pay Zakah, I will raise my sword against the non-payment and collect it by force, see in book Anwar Iqbal Qureshi. (1979). *The economic and social system of Islam*. Lahore: Islamic Book Service. p. 100.

⁶ The *sadaqat*, (*sadaq*), "to be righteous, truthful"; Hebrew *tsedek*. A term used In the Qur'an for "almsgiving," e.g. Surah Al-Baqarah, 265: "Kind speech and pardon are better than almsgiving (*sadaqah*) followed by annoyance, for God is rich and clement."

⁷ "A fifth." The fifth of property which is given to the *Baitu 'l-Mal*, or public treasury

⁸ The capitation is tax that levied by Muhammadan rulers upon subjects who are of a different faith, but claim protection (*aman*). It is founded upon a direct injunction of the Qur'an: "Make was upon such of those, to whom the Scriptures have been given, as believe not in God or in the last day and forbid not that which God and his Apostles have forbidden and who profess not the profession of truth until they pay tribute (*jizyah*) out of their hand, and they be humbled.

⁹ The Islamic institutions are among others: Bank institution, *takaful* institution, stock exchange institution, etc.

growth, to push gap between the wealth and the poor, to development of *ukhawah Islamiyah*, etc.

Zakah is declared as one of the pillars of Islam along with prayer, fasting and the pilgrimage. It is based on the religious commitment of every Muslim that he or she wants to implement his belief in social life. Lehrer holds that religiosity encompasses such dimensions as commitment to the religion, the strength of religious beliefs, and participation in religious activities individually or as part of a congregation (Lehrer: 2004, p. 1) and this will certainly give a positive value for society. The main reason to expect a positive effect of religiosity is that religions often teach honesty and generosity toward others and that they provide social arenas that foster cooperation (Berggren and Bjørnskov: 2009). Therefore, the development of Zakah institution is one form of the commitment showed by Muslim Ummah.

Islam clearly stipulates that upon each Muslim is an obligation to pay a fixed minimum percentage over his or her wealth, property as well as earnings, to the poor and the one who in need it¹⁰. Zakah existed as effort of alleviating poverty and increasing the welfare of people (ummah). Therefore, Allah SWT emphasizes that Zakah is imposed as a critical component and also a tool in creating order and equality in the social economic life of the society. The implementation is through redistribution of wealth from the rich to the poor, within the eight asbab¹¹.

Many countries have used Zakah fund for social and economic development¹², especially in field of education, health, religious, investment, business capital aid, etc., For instance, in April 1989 the *Bait-al-Zakah* in Bombay, India, under the auspices of AICMEU collected Zakah fund in the amount of Rs. 91,891.00 directly and Rs. 175,000 through the help of a philanthropist. The fund was then distributed in the forms of scholarships, building repairs, rehabilitation, medical aid, education, debt, relief and etc (Faridi: 1995, p. 242).---- Another effort that was done in India is through The Crescent Charitable Trust (CCT) of Aligarh. The CCT distributed the fund to

¹⁰ God says: “(so that) wealth does not circulate only among your rich” (Al-Qur’an verses 59 : 7). “And (would assign) in all their wealth and possessions a due share (Zakah) unto such as might ask (for help) and such as might suffer privation” (Al- Qur’an, verses 59 : 19).

¹¹ The Quran has defined these about to as follows : “the offerings (Zakah) given for the sake of God are (meant) only for fuqara (poor) and the masakeen (needy) and ameleen-a-alaiha (those who are in charge thereof), and muallafatul-quloob (those whose hearts are to be won over), and for fir-riqaab (the freeing of human beings from bondage), and (for) al-gharimun those (who are over-burdened with debts), and fee-sabeelillah (for every struggle) in God’s cause, and ibn as-sabil (for) the wayfarer : (this is) an ordinance from God – and God is all knowing, wise” (Al-Qur’an : verse 9 : 60).

¹² Such as: Pakistan, India, Bangladesh, Kuwait, Arab Saudi, Malaysia, Bahrain, Iran, etc.

education, medical aid, house repairs, help charitable institutions, relief to riot victims and rehabilitation (Faridi: 1995, p. 243).

Sudan was the first country that used Zakah collection as an official effort since the Mahdi era. The Fund helped relieved about 7000 families during the draught and famine years (Salama: 2008, p. 152). The Kuwait Zakah House (KZH) also gives services that offers to develop the society and fulfill the needs of the poor through numerous and diversified activities. The services were designed to aid all categories of the society who need assistance in order to improve their social and economic levels, such as for poor families, the students' fund, the prisoners' families fund, the patients' care committee, orphans' sponsor scheme, the students' education fund, etc (Al-Ajeel: 195, p. 263). In Indonesia, Muhammadiyah¹³ organization that operates as a private sector has been able to mobilize resources from the Islamic voluntary sector, particularly in the areas of education, health, religion and social welfare. Muhammadiyah is managing over 12,000 schools, 4,000 mosques, 12 hospitals, 120 maternity centers and poly-clinics, 271 mothers and child care centers, 3 nursing academies, 13 nursing schools, 134 orphanages, 34 units of family welfare centers, and a number of small cooperatives throughout Indonesia (Gulaid: 1995, p. 43). The fact mentioned above describes that Zakah institutions has played an important role in improving the social and economic life of the society.

4. Zakat institutions in dealing with welfare problems

Today, in the globalization era, the effort to increase human well-being is one of the most important agendas of every government in the world. Various Policies have been made to improve the well-being of all Muslim *ummah*. In a survey in 2006, the Muslim population in the world estimated about 1565.28 million and it has increased by 2.996% since 1997 (Muslim Population in the World: 2012). The amount of Muslim population will continue increasing, because out of every four humans in the world, one of them is Muslim. Muslims have increased by over 235% in the last fifty years up to nearly 1.6 billion. By comparison, Christians have increased by only 47 percent, Hinduism 117 percent, and Buddhism 63 percent.

¹³ An Islamic organization have established in Indonesia in 1912, be stood by KH Ahmad Dahlan at last 1912 years.

Table

World Muslim Population General Source (Million) in 2010 year

Continent	General Population	Muslim Population	Muslim Percentage
Africa	923.2	442.88	47.97
Asia	3970.5	1060.65	26.71
Europe	731.7	50.7	6.93
North America	331.7	7.13	2.15
South America	566.05	3.08	0.54
Oceania	33.54	0.6	1.79
Total	6313.78	1565.28	24.79

Muslim Population is increasing at 2.996%**.

But we are taking at 2% around the muslim world. The Muslim population in 2006 is 1610.42 million.

** US Center For World Mission 1997 Report

Source : Muslim Population in the World: 2012.

Indonesia is regarded as the largest Muslim nation in the world. From 1,565.28 million Muslim population in world in 2006, about 195.272 million (8.75%) are located in Indonesia (Muslim Population in the World: 2012). Although they are big in number, but economically and politically the life of Muslims is far from the standard. There are many factors behind this situation. But the one oftenly cited is the fact that Muslims have diverted from moral values and norms of Islamic teaching.

Mawdudi (1960) comments that Islam has given people basic moral norms and values to guide and control their life. It gives a comprehensive code of behavior for the individual and shows him the way to the highest possible moral excellence. Also it gives ethical principles on which the edifice of a truly righteous society can be raised and which, if accepted as the basis of individual and collective conduct, can save human life from the chaos and anarchy of today life. Therefore, Aziz (2008) argues that, Islamic Ummah is a stem from man's basic relationship to other men, to the environment, and to God, and even the relationship of the person to himself.

Disregarding the principle above can bring instability to the life of the community. In fact, at the moment, the welfare rate of the world communities

is going down continuously, especially in the third world which includes Islamic countries. This condition is partly caused by an unequal distribution of wealth, human and nature resources exploitation, new colonization and imperialism, moral hazard, war, etc. Theories of well-being can be classified as either “formal” or “substantive”. A substantive theory of well-being says that things are intrinsically good for people. Formal theories of well-being specify how one finds out what things are intrinsically good for people (Hausman: 1996, p. 72).

The welfare state doctrine is based on the dictum from everyone according to his ability and to everyone according to his need (Maqvi: 1981, p. 79). A social welfare function may be defined as a constitution; an arbitration scheme; a conciliation policy; an amalgamation method, or voting procedure; or simply a rule that associates each preference ordering profile (i.e., a class of R_n) with the society ordering (Hallaq: 2002, p. 112). An improvement in social welfare due to increasing average incomes and reductions in absolute poverty are countered by the effects of a rise in inequality. The welfare of a human society depends on the flow of goods and services, and this in turn depends on the productivity of the economic system (Brousseau and Glachant: 2002).

Economics is the study of human efforts in obtaining resources and using them through exchange for the fulfillment of necessities, needs, and refinements as well as for the purpose of acquisition. In Islamic overview, economics is an integral part of a complete, divinely-inspired way of life, interacting harmoniously with and complementary to all other constituents of Islam and operating absolutely within its religious doctrines (El-Ghazali: 1994, p. 13). Moreover, as that branch of knowledge which helps realize human well-being through an allocation and distribution of scarce resources that is in conformity with Islamic teachings without unduly curbing individual freedom or creating continued macroeconomic and ecological imbalances (Chapra: 2001, p. 33).

According to al-Ghazali (n.d., p. 230), all economic activities are undertaken to provide for three basic human needs: food, clothing, and shelter. However, this meaning of basic needs is flexible and may be more inclusive, depending upon conditions prevalent in a given society and at a given time, but consistent with the Islamic *shariah*. Indeed, the list may include such economic and socio-psychological needs as furnishings, property, status and prestige, and even marital relations, in addition to the aforementioned basic needs. All of these (and others) are recognized as significant human needs.

The opinion above is in accordance with the economic policy in Islam that aims at securing the complete satisfaction of all basic needs for every

individual, and to enable each individual to satisfy his luxuries as much as he can, as a person living in a particular society, which has a certain way of life. Islam looks at every individual as him/herself rather than as the total of individuals who live in the country. It looks at him as a human being, who needs to satisfy all of his basic needs completely, and then it looks to him in his capacity as a particular individual, to enable him to satisfy his luxuries as much as possible (Malkawi: 2008).

Therefore, clearly, the basic premise is that economic success essentially underpins the state of well-being and welfare of the people (Low: 1999). The welfare in social-economic development cannot be defined based on material and hedonist economic concept, but must be put into it humanity and spirituality purpose that include the notion of human brotherhood, social economic justice, purity of life, respect of an individual, respect of property, peacefulness and happiness of mind with harmony of family and community life. Beside that, the social welfare is determined not by the surplus over and above the satisfaction of one's basic needs of life; rather it is to be measured by the amount one is able to spare after enjoying the standard of living which is commonly enjoyed by men of one's rank and situation in life (Yusuf: 1988, p. 61).

5. Contribution of Zakah institution in social-economic development

Institution is a set of formal structure that has rules and informal conventions that provide the framework for human interaction and shape the incentives of members of society (North and North: 1991). Institutions are not abstract structures or accretions that appear out of nowhere or can be transplanted with impunity. They are an outgrowth and expression of human development in the society – of changes in the knowledge, skills, attitudes and values of people (Grray: 2008). Therefore, institutions should give people an incentive to produce and exchange which in turn results in “economic success”. It is the incentive structures that determine whether or not an economy will stagnate or succeed, and changes in these incentive structures that determine whether or not stagnation or success will persist over time (Manzoor: 2008). Furthermore, institutions in economic theory imitate self-interest behavior explained by the lateral aggregation of groups and individuals (Choudhury: 2006, p. 162).

The role of institutions has always been a matter of concern for those who are interested in development issues. For social scientists that share a different view from the economic scientist about development, the issue of institutions has long been a central concern, but in the rise of “development economics”

as an independent subfield of economics during the early postwar period. The concern for institutional issues also played a critical role (Chang: 1998, p. 66). Besides, the role of institutions in economic development, it has attracted a lot of attention in development policy debates during the last decades. However, it should be emphasized that a number of development policies will always be debated (Chang: 1998, p. 64).

The Islamic teachings provide guidelines for the peaceful existence of the rich and the poor. At the same time, there should be a balance between the roles of the public and private sectors, through institution approach to achieve its distributive objectives (Iqbal: 2003, p. 113). Whether or not the institution is able to be carried out through transfer of wealth of the rich to the poor depends on the Zakah institution. This is because the institution of Zakah is the cornerstone of the Islamic economic system (Sareshwala: 2010) which is the object that can secure the widest and most beneficent distribution of wealth through institutions set up by it and through moral exhortation. Wealth must remain in constant circulation among all sections of the community and should not become the monopoly of the rich (Mannan: 1996, p. 17). Çýzakça (2008, p. 4) argues that in the classical period of Islam, institution is vitally important for capital accumulation that can be done through the institutions of Zakah.

Moreover, the institution of Zakah reinforces the equity effect of the Islamic mechanism of functional income distribution; Zakah will tend to reduce any remaining inequality in the distribution of income and wealth (Sadeq: 2002, p. 15). In fact, the institution of Zakah was established and employed to redistribute wealth and thereby alleviating poverty, during the time of the Prophet Muhammad and his immediate successors. Therefore, Islamic economics argue that Zakah affects three major economic aggregates: aggregate consumption, aggregate investment and aggregate supply (Kahf: 2008).

According to Haque (1984) ; Nofal (1984) ; Shad (1986), the institution of Zakah helps eradicate poverty which leads to untold sufferings resulting in begging which is condemned in Islam (Sadeq: 2002, p. 17). Furthermore Kahf (1999) argued, the Zakah effect on eradication of poverty in the Muslim countries is hinger if the new forms of wealth and new source of income, especially in the sector of industry, commerce, finance and service, are considered Zakahable, i.e., if sizable proceeds can be collected and distributed. Zakah also can play a significant role in the realization of the social and economic goals of Islam and its implementation should go hand in hand with

other developmental efforts (Sulayman: 1992, p. 423).

Therefore, the role of *Zakah*, in an Islamic economic system is important from the point of view of addressing the question of poverty in the society. Moreover, *Zakah* can be integrated into the microfinance program in a variety of ways to benefit the poorest beneficiaries. It can be transferred to the poor as outright grants or given as *qardhasan* and can be used either for consumption or for investment purposes (Ahmed: 2002, p. 12). *Zakah* can play a crucial and extended role in affecting, shaping and directing the Islamic economy, virtually in all of its important ramifications: it has to eradicate poverty, ensure equitable distribution of wealth to the desired level, stimulate economic growth, act as a counter-cyclical economic stabilization device, and promote social and common welfare (Imtiaz: 2000, p. 19).

Manan (2000, p. 31) said that *Zakah* revenue can be spent to raised the productivity of the poor. *Zakah* can be use for productive investment for financing various development projects such as education, health care, safe-water and other social welfare activities, designed exclusively for the benefit of the poor. Besides that, *Zakah* proceeds have a multiplier effect on the national economy if they are productively invested (Zaim: 2000, p. 101). In fact, Muslim economists argue that *Zakah* increases productivity, redistributes and reallocates the national income in favor of the poor, decreases particularly the conspicuous consumption of the rich, increases investment and utilizes ideal *Zakahable* income and stimulates aggregate demand (Zaim: 2000, p. 112). Furthermore, Sadr (Zaim: 2000, p. 117) said, the Islamic government can embark on a range of productive projects in industry and agriculture which will provide permanent employment for the poor and as such will create continuous flow of income.

According to other economist, generally Gross Domestic Product (GDP) per capita can be used to indicate the level of economic development of any particular country. It can also be defined as a good measurement to provide information on the productivity with which different countries use their resources and on their relative material welfare (Özgür, et al: 2004, p. 36). Therefore, alteration of GDP from optimalization of collection and distribution of *Zakah* fund will have a significant effect on the development activity. Furthermore, the *Zakah* collection and distribution will become a budget in realizing the development purpose. The *Zakah* receipts and voluntary contributions are used to finance the expenditures of the *welfare budget* which may include such items as cash grants to the poor and unemployed and financing other social welfare programs (education and health care for the

poor) (Hasan: 1992, p. 143).

The efforts of increasing human welfare of globalization era have become the important agenda for every government in the world, especially the third world countries who has the majority of the Islamic community. Many policies have been made in effort to improve of welfare condition for Islamic ummah. This is because Islamic viewpoint to welfare is as essential factor very important for every human being. It is seen that well-being (*falah*) is includes physical satisfaction, because mental peace and happiness can be achieved only by means of a balanced realization of both the material and spiritual needs of the human personality (Chapra: 1993, p. 6).

In Holy Qur'an¹⁴, Islam have requires man to maintain a balance between his love and abstinence from material things (Khan: 1994, p. 3). Islam see man's status and role, will specifying the responsibilities of man as such, of a Muslim and the Muslim Ummah as the repository of the khilafah (Ahmad: 2006, p. 45), that essentially stands to the fundamental unity and brotherhood of mankind (Chapra: 1993, p. 6). Furthermore, one's khilafah can help promote a balance between individual and social interest and help actualize the *maqasid al-Shari'ah* (the goals of the shari'ah), or what may be referred to as the vision of Islam, two of the most important constituents of which are socio-economic justice and the well-being of all God's creatures (Chapra: 2000, p. 30). One of the Quranic verses, emphasize that all resources belong to God and that these resources are thus a trust¹⁵.

Some of the essential socio-economic functions which the Islamic welfare state is expected to perform are the following: to eradicate poverty and create conditions for full employment; to promote stability in the real value of money; to ensure social and economic justice through equitable distribution of income; to maintain law and order; and to harmonize international and regional relations and cooperation. Islam normally also recognizes, capitalism, the freedom of enterprise with the institution of private property, the market system and the profit motive (Zineldin: 1998, p. 5). Nevertheless, to achieve of the welfare purpose, of course be need one the development activities

¹⁴ God saying "beautified for men is the love of things they covet ; women, children, much of gold and silver (wealth), branded beautiful horses, cattle and well-tilled land. This is the pleasure of the present world's life : but Allah has the excellent return (Paradise with following rivers) with him" (verse : 3 : 14). Also God Saying "Those who prefer the life of this world to the Hereafter, and hinder (men) from the Path of Allah (i.e. Islam) and seek crookedness therein-they are far astray" (verse 14 : 3).

¹⁵ God saying "Believe in Allah and His Messenger (Muhammad), and spend of that whereof He has made you trustees. And such as of you as believe and spend (in Allah's Way) theirs will be a great reward (verse 57 : 7).

in social and economics fields. Many economists in the world said that the development activity as a development of wealth, infrastructure, comforts, conveniences, technology, and resources possessed. They see land, oil, natural resources, buildings, roads, airport, education etc., as development.

Development is a concept associated with improvement (Cook: 2008), do not longer seen as a primarily process of capital accumulation but rather as a process of organizational change (Hoff: 2001) as the development of wealth, infrastructure, comforts, conveniences, technology, and resources possessed (Asokan: 2008). The process of welfare create and providing necessities for public to maintain opportunities and choices of a society (Gharehbaghian: 2000, p. 5). In other opinion, development is not anything abstract. It is real change in the lives of people; it means enabling those people to be better off and build a better life for themselves (Garry *et al*: 2008). In fact, the main goal is to achieve sustained economic growth and promote sustainable development to eradicate poverty (Bayraktar: 2003).

The philosophical foundations of the Islamic approach to development are as follows: *Tauhid* (God's unity and sovereignty); *Rububiyah* (divine arrangements for nourishment, sustenance and directing things towards their perfection) ; *Khilafah* (man's role as God's vicegerent on earth) ; *Tazkiyah* (purification plus growth) (Ahmad: 2006, p. 44-45). Specifically, the development has a comprehensive character and includes moral, spiritual and material aspects (Ahmad: 2006, p. 45). Islamic development is also dogmatic, receptive to the concept of priori and theology, and intimately interwoven with Islamic values. The determining factor is religion, the added, or the superstructure (Syukri: 1999). Islamic development emphasize on two key factors. One of these is the natural resources endowments and the other is human resources (Islam: 1987, p. 195).

In the economic context, development is a largely technical process involving the improvement of market institutions, price reform, and free-market entrepreneurial activity. Growth and efficiency are preeminent (Little: 2003). It also regarded as a process whereby the per capita real income increases accompanied by reduction in inequalities of income and satisfaction of the preferences of the masses as a whole (Islam: 1987, p. 190-191). A balanced and sustained improvement in the material and non-material well-being of man, and development as a multidimensional process that involves improvement of welfare through advancement, reorganization and reorientation of the entire economic and social systems, and through spiritual uplift, in accordance with Islamic teachings (Sadeq: 1990, p. 2). The modern

economists consider that development can increase the stock of capital and reducing economic distortions as an essential requirement for development. But development presents a far more fundamental transformation in the society (Hoff and Stiglitz: 2001). Reduction of poverty and ensuring social justice are an important part of the Islamic system (Khan: 2008).

On the other hand, the development of social context, are as the process of organizing human energies and activities at higher levels to achieve greater results. Development increases the utilization of human potential (Garry and Cleveland: 1999). Based on this opinion, human development lies at the heart of the overall development process and the well-being of people. Its goal is to help people realize their own potential and to develop their intellectual capabilities, technical and organizational capabilities (Bayraktar: 2004). Other opinion said, that human development must not only grapple with four material dimensions in space and time that preoccupy the physicist and chemist, but also integrate the dimensions of life and mind—including physical, genetic and biological determinants; social behaviors, skills, attitudes, customs, traditions, systems, formal organizations, non-formal institutions, and cultural values. The Linguistic determinants, data, facts, information, beliefs, opinions, systems of thought, ideas, theories, and spiritual values—all of which interact and influence each other to impact the course of human development (Garry and Cleveland: 1999). In fact, Islam seen that in the social development program of the different behavioral, ethical, and social aspects are introduced in the light of Islamic principles. Islamic approach has a couple of benefits. First, people feel more comfortable adapting to these norms as they take them as part of belief and worship. Second, the Islamic social development program builds the social capital (e.g., feeling of brotherhood and comradeship, obligation to repay debt), which helps repayment of installments regularly (Ahmed: 2002, p. 13).

6. Conclusion

Religion has become an important factor in human life. He can give harmony to the community when they interact in the lives of its environment. Every religion is generally always provide the best way to achieve happiness in life. However, the essence of happiness in any of the world's religions has a different philosophical basis. Islam teaches that the life of the world only as a bridge to achieve happiness in the afterlife. Then Muslims can make it as a place to invest in both public and special worship based on the commands and principles of Islam as a whole (kaffah). In implementing the commandments

and teachings of Islam may be done by fostering a religiosity commitment in the form of consciousness in distributing Zakah. Distribution of Zakah has become an obligation which constitutes one of the five pillars of Islam for every Muslim. Because of have a positive impact in people's welfare, especially in social and economic development. Understanding the nature of Islamic religiosity will give a positive value for the Islamic Ummah in promoting the institution of Zakah as one of the main pillars to achieve the welfare of Muslims.

REFERENCE

- Afe, A. (1999). Religion and economic development in Nigeria. *The Nigerian Journal of Economic History 2 (September)*.
- Ahmad, Khursid. (2006). Development issues in Islam: An introduction. In Abulhasan M. Sadeq (ed.). *The economic development in an Islamic framework*. Kuala Lumpur: International Islamic University Malaysia.
- Ahmed, Habib. (2002). Financing micro enterprises: an analytical study of Islamic microfinance. *Islamic Economic Studies* Vol.9, No. 2, March.
- Ahmed, Habib. (2002). Financing micro enterprises: An analytical study of Islamic microfinance institutions. *Journal Islamic Economic Studies, Vol. 9, No. 2, (March)*.
- (2004). *Role of Zakah and Awqaf in poverty alleviation*. Jeddah: Islamic Development Bank & Islamic Research and Training Institute.
- Akdede, Sacit Hadi and Hakan Hotunluoğlu. (2008). Economic development and religiosity: An investigation of Turkish cities. *International Conference on Emerging Economic Issues in a Globalizing World, Izmir*.
- Al-Ajeel, Abd Al-Qaderdahi. (1995). Kuwait. In El-Ashker Ahmed Abdel-Fattah and Muhammad Sirajul Haq (eds.). *Institutional framework of Zakah: Dimensions and implications*. Jeddah: Islamic Development Bank & Islamic Research and Training Institute.
- Al-Ghazali. (n.d.). *Ihya Ulum al Din*. Volume 2. Beirut: Darul Nadwah.
- Aziz, T.M. (2008). An Islamic perspective of political economy : The views of (late) Muhammad Baqir Al-Sadr. *al Tawhid Islamic Journal, vol. X, No. 1*. Qum: The Islamic Republic of Iran .
- Asokan, N. (2008). *Theory of social development*. Viewed April 18, 20012. http://www.icpd.org/development_theory/theory_of_development.htm#Chapter%20II
- Barro, Robert J. and Rachel M. McCleary. (2003). Religion and economic growth. *NBER Working Paper No. 9682*. Issued in May.
- (2006). Religion and economy. *Journal of Economic Perspectives, Volume 20, Number 2, Spring*.
- Baudin, Thomas. (2008). *Religion and fertility : The French connection*. Viewed April 18, 2012. <ftp://mse.univ-paris1.fr/pub/mse/CES2008/V08089.pdf>

- Bayraktar, Bahar. (2003). International financial architecture and financing for development. *Journal of Economic Cooperation* 24, 3. p. 47-86.
- (2004). Human resource development in OIC countries: challenges and setbacks, *Journal of Economic Cooperation* 25, 1. p. 37-70.
- Berggren , Niclas and Christian Bjørnskov. (2009). Does religiosity promote or discourage social trust? evidence from cross-country and cross-state comparisons. *Ratio Institute Working Paper 09-142*.
- Blum, Michael (2010). Von Hayek and the Amish Fertility how religious communities manage to be fruitful and multiply-A case study in Frey, Ulrich (ed.). *The Nature of God-Evolution and Religion. Tectum*.
- Brañas-Garza, Pablo and Shoshana Neuman. (2006). Is fertility related to religiosity? evidence from Spain. *IZA Discussion Papers 2192, Institute for the Study of Labor (IZA)*.
- Bridges, Lisa J. and Kristin Anderson Moore. (2002). *Religious involvement and children's well-being: What research tells us (and what it doesn't)*. Viewed April 18, 2012. <http://www.childtrends.org/files/religiosityRB.pdf>.
- Brousseau, Eric and Jean-Michel Glachant. (2002). *The concept of welfare in social-economic development the economics of contracts-theories and applications*. UK: Cambridge University Press.
- Chang, Ha-Joon. (1998). The role of institutions in asian development. *Asian Development Review*. Vol. 16. No. 2.
- Chapra, Muhammad Umer. (1993). *Islamic and economic development*. Islamabad: International Institute of Islamic Thought & Islamic Research and Training Institute.
- (2000). Is it necessary to have Islamic economics?. *The Journal of Socio-Economics*, Number 29.
- (2001). *What is Islamic economics ?*. Jeddah: Islamic Development Bank & Islamic Research and Training Institute.
- Choudhury, Masudul Alam. (2006). Islamic macroeconomics?. *Emerald International Journal of Social Economics*. Vol. 33 No. 2.
- Cook, James B. (2008). *Community Development Theory*. Viewed April 18, 2012. <http://extension.missouri.edu/explore/miscpubs/mp0568.htm>, Downloaded on 21/9/2008.
- Çýzakça, Murat. (2006). Islam and Christianity : Symbiosis of Civilizations. *MPRA Paper No. 23095*.
- El-Ghazali, Abdel Hamid. (1994). *Man is the basis of the Islamic strategy*

- for economic development. Jeddah: Islamic Development Bank & Islamic Research and Training Institute.
- Eum, Wonsub. (2011). *Religion and economic development - A study on religious variables influencing GDP growth over countries*. Viewed April 20, 2012. http://econ.berkeley.edu/sites/default/files/eum_wonsub.pdf
- Faridi, Fazlur Rahman. (1995). India. In El-Ashker, Ahmed Abdel-Fattah and Muhammad Sirajul Haq (eds.). *Institutional framework of Zakah : Dimensions and implications*. Jeddah: Islamic Development Bank & Islamic Research and Training Institute.
- FCA, Mohd. Zohurul Islam. (1987). *Islamic economics (some issues in perspective)*. Dhaka: Islamic Foundation Bangladesh.
- Fleck, Marcelo P. and Suzanne Skevington. (2007). Explaining the meaning of the WHOQOL-SRPB. *Rev. Psiq. Clin.* 34, *supl 1*.
- Franck, Raphaël. (2007). *Does economic development cause a decline in religiosity? Explaining the separation between Church and State in France in 1905*. Viewed April 18, 2012. <http://econfaculty.gmu.edu/pboettke/workshop/archives/fall07/Franck.pdf>.
- Garry. Jacobs, Robert Macfarlane and N. Asokan. (2008). *Comprehensive Theory of Social Development*. USA: International Center for Peace and Development.
- Garry, Jacobs and Harlan Cleveland (1999) *Social development theory*. Viewed April 20, 2012. http://www.icpd.org/development_theory/SocialDevTheory.htm, Downloaded on 15/11/2008.
- Gharehbaghian, Morteza. (2000). *An estimation of level of development : A comparative study on IDB members of OIC – 1995*. Jeddah: Islamic Development Bank & Islamic Research and Training Institute.
- Gilani, Syed Irfan Munawar. (2006). *The institution of Zakah in Pakistan*. Master Thesis in International Development Studies and History. Roskilde University.
- Grier, Robin. (1997). The effect of religion on economic development: A cross national study of 63 former colonies. *KYKLOS, Vol. 50 - Fasc. 1*.
- Gulaid, Mahmoud A. (1995). *Financing agriculture through Islamic modes and instruments: Practical scenarios and applicability*. Jeddah: Islamic Development Bank & Islamic Research and Training Institute
- Gundlach, Erich and Matthias Opfinger. (2011). Religiosity as a determinant of happiness. *GIGA Working Paper Series 163*.

- Hallaq, Said. (2002). Individual, society, and social choice in Islamic thought. In Habib Ahmed (ed.). *Theoretical foundations of islamic economics*. Jeddah: Islamic Development Bank & Islamic Research and Training Institute.
- Hasan, M. Aynul and Ahmad Na'eem Siddiqui. (1992). Is equity financed budget deficit stable in an interest free economy?. In Muhammad Abdul Mannan (ed.). *Financing Development in Islam*, Jeddah: Islamic Development Bank & Islamic Research and Training Institute.
- Hausman, Daniel M. and Michael S. McPherson. (1996). *Economic analysis and moral philosophy*. New York: Cambridge University Press.
- Hercik, J., Richard Lewis, Bradley Myles, Caterina Gouvis, Janine Zweig, Alyssa Whitby, Gabriella Rico, Elizabeth McBride. (2005). *Development of a guide to resources on faith-based organizations in criminal justice*. Viewed April 19, 2012. <https://www.ncjrs.gov/pdffiles1/nij/grants/209350.pdf>.
- Hoff, Karla and Joseph E. Stiglitz. (2001). Modern economic theory and development. In Gerald M. Meier, Joseph E. Stiglitz (eds.). *Frontiers of development economics: the future in perspective*. New York: Oxford University Press.
- Holyoake, George Jacob. (1896). *English secularism: A confession of belief*. Chicago: The Open Court Publishing Company.
- Iannaccone, Laurence R. (1998). Introduction to the economics of religion. *Journal of Economic Literature*, Vol. XXXVI (September).
- Imtiaz, I. A. (2000). Introduction. In Imtiaz, M.A., et al. (eds.). *Management of Zakah in modern muslim society*. Jeddah: Islamic Development Bank & Islamic Research and Training Institute.
- Iqbal, Munawar. (2003). Islamic economic institutions and the elimination of poverty. Kuala Lumpur: *IIUM Journal of Economics and Management*. Volume 11 Number 1.
- Iqbal, Munawar and Tariqullah Khan. (2004). Financing public expenditure: An Islamic perspective. Jeddah: Islamic Development Bank & Islamic Research and Training Institute.
- Iyer, Sriya. (2007). *Religion and Economic Development*, Viewed April 18, 2012. http://www.econ.cam.ac.uk/faculty/iyer/Palgrave_Religion.pdf.
- Kahf, Monzer. (1995). Applied institutional models for zakah collection and distribution in islamic countries and communities. In El-Ashker, Ahmed Abdel-Fattah and Muhammad Sirajul Haq (eds). *Institutional framework*

- of zakah: Dimensions and implications*. Jeddah (Arab Saudi): Islamic Development Bank & Islamic Research and Training Institute.
- Kahf, Monzer. (1999). *The principle of socio-economic justice in the contemporary fiqh of Zakah*. The Iqtisad, University Islam Indonesia: CIESD.
- Kaufmann, Eric (2009). *Islamism, religiosity and fertility in the Muslim world. Paper prepared for 2009 ISA conference*, New York.
- Khan, Muhammad Akram. (1994). *An introduction to Islamic economics*. Islamabad: International Institute of Islamic Thought & Islamic Research and Training Institute.
- Khan, Muhammad Fahim. (2008). *Islam and economic development: need for discovering the underlying model*. Viewed April 18, 2012. <http://www.takafol.ru/eng/arts.php?art=28>.
- Lehrer, Evelyn L. (2004). *Religion as a determinant of economic and demographic behavior in the United States. IZA Discussion Paper No. 1390 (November)*.
- Lippman, Laura H. and Hugh McIntosh. (2010). *The demographics of spirituality and religiosity among youth: international and U.S. patterns*. Viewed April 19, 2012. http://www.childtrends.org/Files//Child_Trends-2010_09_27_RB_Spirituality.pdf
- Little, Daniel. (2003). *Development ethics well-being and poverty in the developing World*. In *The Paradox of wealth and proverty*. USA: Wesview Press Inc.
- Low, Linda. (1999). *Ensuring a moral and social economy in Singapore. International Journal of Social Economics*. Vol. 26 Issue 7/8/9.
- Malkawi, Muhammad. (2008). *Economic justice: Islam versus capitalism*. Viewed April 20, 2012. http://www.internetmuslim.com/Economic_Justice.pdf
- Mannan, Mohammad Abdul. (1996). *Islamic socioeconomic institutions and mobilization of resources with special reference to Hajj management of Malaysia*. Jeddah: Islamic Development Bank & Islamic Research and Training Institute.
- (2000). *Effects of Zakah assessment and collection on the redistribution of income in contemporary Muslim countries*. In Imtiaz, M.A., et al. (eds.). *Management of Zakah in modern Muslim society*. Jeddah: Islamic Development Bank & Islamic Research and Training Institute.

- Manzoor, Davood. (2008). Economics of religion: The role of religion on economic performance. Viewed April 20, 2012. <http://www.downloadprovider.me/search/Manzoor%20Religion%20and%20Economic%20Performance%28Dr%20Manzoor%29%20doc.html?aff.id=1087&aff.subid=1>
- Maududi, Syed Abul 'Ala. (1960). *Towards understanding Islam*, Lahore: U.K.I.M. Dawah Centre.
- Molendijk, Arie L. (2001). A challenge to philosophy of religion. *Journal of Ars Disputandi, Volume 1*.
- Muslim Population in the World. (2012). World Muslim Population. Viewed April 18, 2012. <http://muslimpopulation.com/World/>.
- Naqvi, Syed Nawab Haider. (1981). *Ethics and economics : An Islamic synthesis*. Leicester: The Islamic Foundation.
- Nath, Sushmit. (2007). Religion and economic growth and development. *MPRA Paper 8181*. Germany: University Library of Munich.
- North and North, Douglass C. (1991). Institutions. *Journal of Economic Perspectives. Vol. 5, No. 1*.
- Özgür, E., Aslı Karatekin and Nükhet Doğan, (2004). The comparative socio-economic developmental level of Islamic countries. *Journal of Economic Cooperation Among Islamic Countries*, Volume 25, Number 3.
- Paldam, Martin and Erich Gundlach. (2010). The religious transition: A long-run perspective. *Kiel Working Paper, 1576, Kiel Institute for the World Economy*.
- Paloutzian, Raymond F. and Crystal L. Park. (2005). Integrative themes in the current science of the psychology of religion. in *Handbook of the psychology of religion and spirituality*. New York and London: The Guilford Press.
- Peru, Farouk A. (2009). Muslims and the Quran: Towards the resurrection of a civilizational impetus. In *Critical thinkers for Islamic reform: A collection of articles from contemporary thinkers on Islam*. USA: BrainbowPress.
- Qureshi, Anwar Iqbal. (1979). *The economic and social system of Islam*. Lahore: Islamic Book Service.
- Reitsma, J., Peer Scheepers, and Manfred Te Grotenhuis. (2006). Dimensions of individual religiosity and charity: cross national effect differences in european countries?. *Review of Religious Research, Volume 47(4)*. p. 347-362.
- Sadeq, Abulhasan Muhammad. (2002). A survey of the institution of Zakah:

Issues, theories, and administration. Jeddah: Islamic Development Bank & Islamic Research and Training Institute.

- (1990). *Economic development in Islam*. Selangor: Pelanduk Publication.
- Salama, Abdin Ahmad. (2008). Empirical economic effects of obligatory and non-obligatory payment of Zakah to the state. In el-Ashker, Abdel-Fattah and Muhammad Sirajul Haq (eds.). (1995). *Institutional Framework of Zakah: Dimensions and Implications*. Jeddah: Islamic Development Bank & Islamic Research and Training Institute.
- Sanz, Surgio F. (2009). *Economic development and religiosity: A religious capital approach to secularization theories revuttal*. Viewed April 20, 2012. <http://www.thearda.com/asrec/archive/papers/Sanz%20-%20Economic%20Development%20and%20Religiosity%20-%20ASREC09.PDF>.
- Sanz,Surgio F. (2009). *Economic development and religiosity: A religious capital approach to secularization theories revuttal*. Viewed April 20, 2012. <http://www.thearda.com/asrec/archive/papers/Sanz%20-%20Economic%20Development%20and%20Religiosity%20-%20ASREC09.PDF>.
- Sareshwala, Zafar. (2010). *The institution of zakah and its economic impact on society*. Viewed August 15, http://www.islamicequity.co.in/admin/adminfiles/articals/zakat_economic_systemfinal.pdf.
- Sulayman, Abdul Hameed Ahmad Abu. (1992). *Welcome address*. In Manan, Muhammad Abdul. *Financing development in Islam*. Jeddah: Islamic Development Bank & Islamic Research and Training Institute.
- Syukri Muhammad Salleh. (1999). Islamic development management: Three fundamental questions. *al-Hikmah*. No. 6.
- Taylor, Edward B. (1889). *Primitive Culture: Researches into the development of mythology, philosophy, religion, language, art and custom*. Volume 1. New York: Henut Holt and Company.
- Tu, Qin, Erwin Bulte and Shuhao Tan. (2011). Religiosity and economic performance: micro-econometric evidence from Tibetan area. *China Economic Review*, 22(1).
- Whitehouse, Harvey. (2008). Cognitive evolution and religion; Cognition and religious evolution. *Issues. in Ethnology and Anthropology n. s. Vol. 3. No.3*.
- Yazdani, Naveed and Dawood Mamoon. (2012). *Economics, education and*

religion: Can western theories be generalized across religions?. Viewed April 18, 2012. http://mpra.ub.uni-muenchen.de/36793/1/MPRA_paper_36793.pdf.

- Yusuf, S.M. (1988). *Economic justice in Islam*. New Delhi: Kitab Bahavan.
- Zaim, Sabahaddin. (2000). Recent Interpretations of the Economic Aspects of Zakah. In Imtiaz, M.A., et al. (eds.). *Management of Zakah in modern Muslim society*. Jeddah: Islamic Development Bank & Islamic Research and Training Institute.
- Zhang, Li. (2008). Religious affiliation, religiosity, and male and female fertility. *Demographic Research, Volume 18, Article 8*, p. 233-262.
- Zineldin, Mosad. (1998). Globalization and economic integration among Arab countries. Oslo: *The Fourth Nordic Conference on Middle Eastern Studies, The Middle East in Globalizing World*.